

WALGREEN CO.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS and PROXY STATEMENT

November 22, 1940.

TO THE SHAREHOLDERS OF WALGREEN CO.:

Notice is hereby given that the annual meeting of the shareholders of WALGREEN CO., an Illinois corporation (hereinafter called the "Company"), will be held at the office of the Company, 744 Bowen Avenue, Chicago, Illinois, on Wednesday, December 11, 1940, at 3:00 o'clock P. M., for the following purposes:

1. To elect a board of nine directors to serve until the next annual meeting of shareholders, and until their successors are elected and qualified;
2. To approve and authorize the execution of a proposed agreement to create the Charles R. Walgreen Memorial Pension Trust providing pensions to employees of the Company and its subsidiaries, as described in the proxy statement submitted herewith; and
3. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on November 20, 1940, are entitled to vote at the meeting.

If you are unable to attend the meeting, you are requested to sign and return to the Secretary of the Company the enclosed form of proxy.

The proxy may be revoked at any time before it is voted. If you are present at the meeting, you may vote your shares in person and the proxy will not be used.

For further information concerning individuals whom the management proposes to nominate for Directors and concerning the proposed pension trust and use of the proxy, you are respectfully urged to read the attached proxy statement.

By order of the Board of Directors.

R. G. SCHMITT, *Secretary*

C. R. WALGREEN, JR., *President*

WALGREEN CO.

An Illinois Corporation

November 22, 1940.

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies to be voted at the Annual Meeting of Shareholders of Walgreen Co., to be held on December 11, 1940, and further to inform the shareholders concerning the use of the proxy and the business to be transacted at such meeting.

The enclosed proxy is solicited by the management of the Company. The proxy may be revoked at any time before it is voted. The only business which the management intends to present, or knows that others will present, at such Annual Meeting is that of electing nine (9) directors and submitting for approval and authorization a proposed agreement creating the pension trust hereinafter described. Should any other business come before the meeting, however, action may be taken thereon pursuant to such proxy which confers discretionary authority upon the persons named therein, or their substitutes, with respect of any other business which may properly come before such meeting.

Election of Directors

The persons named in the enclosed form of proxy have advised the management that it is their intention to vote at the meeting for the election as directors of the following named persons, all of whom are now officers and directors of the Company and have been in the active service of the Company more than ten years:

Charles R. Walgreen, Jr., President of the Company since 1939, and a director since 1934; is directly or indirectly the beneficial owner of 44,728 Common and 430 Preferred shares of the Company; total remuneration from the Company paid or accrued during the last fiscal year \$21,000.

Justin W. Dart, General Manager since 1939, and director of the Company since 1934; is directly or indirectly the beneficial owner of 35,809 Common and 95 Preferred shares of the Company; total remuneration from the Company paid or accrued during the last fiscal year \$21,000.

Robert G. Knight, Comptroller since 1926, director of the Company since 1930; is directly or indirectly the beneficial owner of 4,595 Common shares of the Company; total remuneration from the Company paid or accrued during the last fiscal year \$18,000.

Roland G. Schmitt, Secretary of the Company since 1930, Vice-President since 1937 and a director since 1927; is directly or indirectly the beneficial owner of 12,674 Common shares of the Company; total remuneration from the Company paid or accrued during the last fiscal year \$18,000.

James E. Ward, Director of Purchasing since 1920, and director of the Company since 1927; is directly or indirectly the beneficial owner of 9,530 Common shares of the Company; total remuneration from the Company paid or accrued during the last fiscal year \$18,000.

Harry Goldstine, Vice-President of the Company since 1930, and a director since 1927; is directly or indirectly the beneficial owner of 30,529 Common shares of the Company, of which 25,805 shares are owned outright, and 4,724 shares are owned in joint tenancy.

A. L. Starshak, Vice-President of the Company since 1938, and a director since January 10, 1940; is directly or indirectly the beneficial owner of 21,232 Common and 100 Preferred shares of the Company.

Sanford J. Bowyer, General Auditor since 1927, and director of the Company since 1937; is directly or indirectly the beneficial owner of 2,942 Common shares of the Company.

Ray E. Walker, Director of Agency Division since 1930, and director of the Company since January 10, 1940; is directly or indirectly the beneficial owner of 400 Common shares of the Company.

PROXY—WALGREEN CO.

KNOW ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints CHARLES R. WALGREEN, JR., JUSTIN W. DART and ROBERT G. KNIGHT, the attorneys and proxies of the undersigned, each with full power of substitution, for and on behalf and in the name, place and stead of the undersigned, to attend the annual meeting of the shareholders of Walgreen Co. to be held at its office, 744 Bowen Avenue, Chicago, Illinois, on December 11, 1940, at 3:00 o'clock P. M., and any adjournment or adjournments thereof, and thereat to vote all of the shares of said corporation which the undersigned would be entitled to vote if then personally present:

1. In electing a board of nine (9) directors to serve until the next annual meeting of shareholders and until their successors are elected and qualified;

2. FOR ☐ (NOTE: Indicate by an X in the proper square whether
AGAINST ☐ you are "FOR" or "AGAINST" the Pension Trust.)

the approval and execution of an agreement creating the Charles R. Walgreen Memorial Pension Trust in substantially the form presented at such meeting, a copy of which I have received, provided failure of the undersigned to indicate above whether the proxies shall vote "FOR" or "AGAINST" such approval and execution shall be construed as an authorization to the proxies to vote the Proxy "FOR" such approval and execution; and

3. Upon any other business which may properly come before said meeting according to the best judgment of such proxies;

hereby ratifying and confirming all that said attorneys and proxies may do by virtue hereof.

A majority of such attorneys and proxies as may be present and shall act at said meeting (or if only one shall be present and act, then that one) shall and may exercise all of the powers of said attorneys and proxies hereunder.

Dated this _____ day of _____, 1940.

_____(SEAL)

In addition to the shares hereinabove stated to be owned directly or indirectly by Charles R. Walgreen, Jr., Justin W. Dart and Sanford J. Bowyer, respectively, they as sole trustees under certain trusts, and as trustees with others under certain other trusts, own of record for the benefit of others 118,191 Common and 491 Preferred shares of the Company. Under certain of such trusts Mary Ann Walgreen, wife of Charles R. Walgreen, Jr., is the beneficial owner of 24,811 Common shares of the Company. Charles R. Walgreen, Jr., Justin W. Dart and Sanford J. Bowyer, as executors under the will of Charles R. Walgreen, deceased, whose estate is now in probate and as yet undistributed, own in such capacity 70,736 Common and 50 Preferred shares of the Company, represented by certificates still standing of record in the name of the decedent. In addition to the shares hereinabove stated to be owned directly or indirectly by Robert G. Knight, he, as trustee under certain trusts, owns of record in such capacity 3,250 Common and 90 Preferred shares of the Company for the benefit of others.

The individuals whose total compensation is stated above were the recipients of the five highest aggregate amounts of remuneration paid or accrued by the Company to any director, officer or employee during the fiscal year ended September 30, 1940. The aggregate amount of remuneration paid or accrued by the Company during such fiscal year to all of its directors and officers (12 in number) considered as a group for services in all capacities was \$163,614.85. No remuneration was paid or accrued by any subsidiary of the Company during such fiscal year to any nominee, director or officer of the Company, including those above named.

In case any of these nominees is not a candidate at the Annual Meeting, an event which the management does not anticipate, the proxy may be voted for a substitute nominee and will be voted for the balance of the others above named.

Charles R. Walgreen Memorial Pension Trust

Resolutions will be submitted to the meeting providing for the approval of a proposed agreement, to be in substantially the form which will be presented to the meeting, between the Company, each of its subsidiaries who shall join in the agreement and Ralph Norton, Robert G. Knight, Daniel McCaughna, Walter T. Lillie and Harry Goldstine, as Trustees, creating and fixing the terms and conditions of the Charles R. Walgreen Memorial Pension Trust for the benefit of the employees, including officers and directors, of the Company and any such subsidiary. A copy of such proposed agreement as approved and authorized by the Board of Directors is enclosed herewith.

A summary of the pertinent provisions of the agreement follows:

1. Eligibility of Employees. All employees are eligible to accept the Trust, if they are 27 years of age and have been continuously employed by the Company or one of its subsidiaries for three years next preceding the date when eligibility is determined, or, if not so continuously employed, have been employed at least four years, one of which shall be the year next preceding such date and the other three of which shall constitute a period of continuous employment by the Company or a subsidiary.

Provision is made for employees to accept the Trust as they become eligible but such acceptance is purely voluntary on their part.

2. Employee Contributions. Each employee who accepts the Trust is required to pay to the Trustees 3% of each compensation payment received by him during any fiscal year of the Company until he shall have received \$3,000, and 6% of each compensation payment, if any, received by him during such fiscal year after he shall have received \$3,000. Employees receiving less than \$1,000 in any such fiscal year may be permitted to contribute such amount, not exceeding \$100 in any such year, as the employee shall determine and the Company and the Trustees shall approve. Such payments to the Trustees continue until the employee ceases to be such, or until he reaches the basic retirement age which is fixed at age 60.

3. Company and Subsidiary Initial Contributions. The Company will pay to the Trustees an aggregate of \$250,000 when the agreement is signed, and, together with its subsidiaries, an additional amount, now estimated at approximately \$250,000, depending upon the number of eligible employees

who accept the Trust within 120 days after its effective date and the amounts to be allocated to them for their past services.

4. Company and Subsidiary Annual Contributions. At the close of each fiscal year of the Company (which now is the twelve month period ending September 30th in each year) the Company and its subsidiaries will pay to the Trustees for each \$1.00 contributed during such year by their respective employees an amount which is dependent upon the consolidated net earnings of the Company and its consolidated subsidiaries for such year. If such net earnings equal \$1.80 per common share of the Company the contribution will be \$1.00 for each \$1.00 contributed by the employees. If such net earnings are more or less than \$1.80 per common share the contributions will be proportionately increased or decreased as the case may be, but in no event shall such contributions aggregate more than 300% of the employee contributions or less than 25% of such contributions.

Provision is also made for adjusting the contributions of the Company and its subsidiaries in the event of changes in the Company's capital structure.

5. Pension Accounts. The Trustees will maintain a pension account for each employee who accepts the Trust in which he will be credited with (i) his share of the initial payments referred to in 3 above in accordance with the formula based upon his past services as set forth and fully described in the enclosed copy of the agreement, if such employee is eligible and accepts the Trust within 120 days after the effective date; (ii) the contributions made by the employee; (iii) his share of the annual contributions of the Company and subsidiaries, and (iv) his pro rata share of any part of the surplus, as defined in the agreement, which the Trustees see fit to appropriate for the purpose. Each contribution of the Company and subsidiaries shall be applied to the extent available, *first*, to match employee payments on the 3% basis; *second*, to match employee payments on the 6% basis; *third*, to equalize the contributions of the Company and subsidiaries for prior years with the 3% employee contributions for such years; *fourth*, to equalize the contributions of the Company and subsidiaries for prior years with the 6% employee contributions for such years; *fifth*, to maintain a pension reserve account of \$50,000 which, to the extent available, the Trustees shall apply to equalize the contributions of the Company and subsidiaries for prior years with the 3% employee contributions for such years; and *sixth*, by a transfer of any remaining balance to surplus.

6. Surplus. Surplus is defined as the excess in value of the assets of the Trust over all of its liabilities. In determining such value securities having a readily ascertainable market value, except those of or guaranteed by the United States, will be valued at market value; securities of or guaranteed by the United States, at cost amortized to maturity; securities not having a readily ascertainable market value, at their fair value not exceeding face value; insurance contracts not matured, at their cost or at their cash surrender value and insurance contracts matured, at their unrealized amount. Appropriations may be made from surplus to provide insurance for hospitalization and medical expense for the employees who accept the Trust, such appropriations not to exceed, however, \$25.00 per year for each such employee.

7. Other Appropriations from Surplus. The Trustees may from time to time appropriate and credit to each employee pro rata according to his pension account, such part of the surplus as the Trustees deem advisable and, upon any employee ceasing to be such, the Trustees shall credit him with his share of the then existing surplus.

8. Investments. The Trustees may invest the moneys of the Trust but shall maintain at all times in cash, or in investments consisting of appropriate insurance contracts or investments permitted to be made by trustees under the laws of the State of Illinois, an amount not less than the aggregate of all amounts standing to the credit of all employees in their respective pension accounts plus the above mentioned pension reserve account. Moneys in excess of such requirements may be invested in such investments as the Trustees shall select, including any shares or other securities of the Company.

9. Basic Retirement Age. Age 60 is specified as the basic retirement age, but it is expressly stated in the agreement that nothing contained therein shall be construed to require the Company to retire an employee upon reaching age 60, or to indicate that such is or will be the policy of the Company.

10. Payments to Employees. Provision is made to commence payments to an employee who (1) reaches age 60 while still an employee and thereafter but before age 65 ceases to be an employee (Event 1); (2) who ceases to be an employee because of death or other reason prior to age 60 (Event 2); or (3) ceases to be an employee after reaching age 65 (Event 3).

If *Event 1* shall first occur the accumulated credit in the employee's pension account will be paid him in equal monthly instalments until the accumulated credit is exhausted. The amount of each such instalment shall be determined by dividing the accumulated credit by the number of full months intervening between the occurrence of Event 1 and the date when the employee shall reach age 65 but no such instalment shall be less than \$25.00 or 25% of his average monthly compensation during the 36 months immediately preceding the occurrence of Event 1, whichever amount is the greater, or more than 50% of such average monthly compensation. If in the judgment of the Trustees such maximum amount would constitute an unreasonable amount for pension purposes it may be reduced to such amount, not less than the abovementioned minimum, as the Trustees shall consider reasonable. The Trustees may, in their sole discretion, at any time after the occurrence of *Event 1* and before the employee reaches age 65 use all or any part of the accumulated credit then remaining unpaid to provide a life annuity for the employee.

If *Event 2* shall first occur the accumulated credit, except as otherwise provided with respect to married female employees, shall be adjusted according to a formula based upon the number of years of his participation in the Trust. In such case the employee may elect to have his instalment payments begin six months after he leaves the employ of the Company, or at any later date prior to his reaching age 60, such instalments to continue until the adjusted accumulated credit is exhausted. If the employee elects to have the instalments commence before age 50 his adjusted accumulated credit is discounted at the rate of 3% for each twelve month period or part thereof intervening between the termination of his employment and age 50, but in no event shall such discount reduce the adjusted accumulated credit to an amount less than the amount of his contributions to the Trust. If the employee is a married female and she leaves employment within one year after her marriage, her accumulated credit will not be adjusted or discounted. If she continues in employment more than one year but less than three years after her marriage her accumulated credit will be reduced but only to the extent of 50% of the amount by which it would have been reduced in the case of any other employee leaving employment before age 60. If she remains in employment more than three years after her marriage her accumulated credit will be reduced to the same extent as it would have been in the case of any other employee terminating his employment. In each case the monthly payments to such female employee may commence immediately following the occurrence of *Event 2* and the 3% discount will not be applied. The Trustees may, in their sole discretion, at any time after the occurrence of *Event 2* use all or any part of the accumulated credit then remaining unpaid to provide a life annuity for the employee.

If *Event 3* shall first occur the accumulated credit of the employee shall be paid in equal consecutive monthly instalments in such amount as the Trustees shall determine, not less than the minimum nor more than the maximum stated above in respect of *Event 1*, and such instalments shall commence on the first day of the month following the occurrence of *Event 3* and shall continue until the accumulated credit is exhausted. The Trustees may at any time use all or any part of the unpaid balance of the employee's accumulated credit to provide for him a life annuity.

It should be noted that the pension payments to be made to any participating employee, as stated above, are not guaranteed to be made to such employee throughout the remainder of his life. Such payments continue only until the credit in his pension account, as determined upon the termination of his employment, is exhausted, unless some part of such credit is used to purchase for him a life annuity.

Interest will be allowed to employees after termination of their employment on the unpaid balance of their accumulated credit at a rate for each year not less than the average of the rates of interest allowed upon savings accounts during such year by the five banks in Chicago having the largest deposits at the close of their preceding fiscal year.

The Trustees may accelerate and increase instalment payments to employees in all cases where payments, as provided in the agreement, would because of the necessities of the employee impose undue hardship, but in no event shall the aggregate amount payable to the employee be increased.

Payments after the death of an employee will be made to his designated beneficiary, or if there is no such beneficiary, to his personal representative or other person legally entitled thereto.

In no event shall any property of the Trust revert to the Company except in repayment of loans by the Company or in refunding payments made by the Company through mistake or error.

11. Trustees. The Trustees are given the power to do all acts and things necessary or desirable for the proper management of the Trust and the preservation of its property. They shall not be liable for acts or omissions so long as they act in good faith and are not guilty of wilful misconduct or gross negligence.

Upon the expiration of the initial term of each Trustee, and of each term thereafter, a successor shall be selected to serve for a period of five years or until his successor is selected. All Trustees to fill any vacancy or to succeed any Trustee upon the expiration of his term, shall be selected by a majority of the remaining Trustees with the approval of a majority of the Board of Directors of the Company. A successor Trustee to fill Trusteeship No. 1 or Trusteeship No. 4 shall be a department manager, district manager or other person recognized by the Company as having senior standing; any successor Trustee to fill Trusteeship No. 2 or Trusteeship No. 5 shall be selected from the members of the Board of Directors of the Company; and any successor Trustee to fill Trusteeship No. 3 shall be a store manager who shall have been such for at least ten years. Any Trustee may be removed by a majority vote of the other Trustees concurred in by a majority of the Board of Directors of the Company or by the unanimous vote of the entire Board of Directors of the Company, excluding the vote of any director who at the time is the subject of such removal as Trustee.

Trustees shall receive no compensation for their services and are not eligible to become employees of the Trust. They shall cause an annual audit of their accounts to be made by public accountants.

12. Other Rights and Obligations of the Company. The Company relinquishes and disclaims all right, title and interest in the assets of the Trust. It reserves the right (i) to lower the eligibility age; (ii) to inspect the records of the Trustees; (iii) to defer payment of any annual contribution to be made by the Company or a subsidiary for a period not exceeding one year, in which event interest shall be paid at the rate of 3% per annum on such deferred payment until paid; and (iv) to forever terminate its obligations under the Trust, including its obligations to make annual contributions, upon notice of its intention so to do and paying its contribution for the fiscal year in which such notice is given.

13. Liquidation of the Trust. The Trust will continue until the death of the last survivor of the named Trustees and of the participating employees who accept the Trust as of a date 60 days after the date of the agreement and 21 years thereafter, or until all assets of the Trust upon its liquidation have been distributed, whichever event shall first occur. The Trust may be sooner terminated with the consent of the Company and the consent of the participating employees constituting more than $\frac{2}{3}$ in number, or having to their credit in their pension accounts more than $\frac{1}{3}$ of the aggregate amount then standing to the credit of all participating employees in their respective pension accounts. It may also be terminated at any time by the Trustees in the event the Company shall have deferred payment of its annual contribution and failed to pay it at the end of the deferment period, or if the Company elects to forever terminate its obligations to the Trust. Upon such termination the assets of the Trust shall be liquidated and distributed among the then participating employees pro rata according to their respective pension accounts.

14. Subsidiaries. A subsidiary of the Company is defined as a corporation all of whose outstanding capital stock is owned by the Company or by another wholly owned subsidiary. Any such subsidiary may join the Trust and its employees may participate in the Trust to the same extent as employees of the Company are entitled so to do. In such case the subsidiary, instead of the Company, makes the initial and annual contributions for the benefit of the subsidiary's employees, but such annual contributions by a subsidiary are measured by the consolidated net earnings of the Company and its consolidated subsidiaries and not by the net earnings of such subsidiary. In the case of a subsidiary becoming such after the effective date and joining in the Trust, the Com-

pany and the Trustees reserve the right to determine whether or not the employee's period of employment, prior to his employer becoming a subsidiary, shall be considered in determining such employee's eligibility. The Company covenants to cause all subsidiaries and their employees joining the Trust to carry out and perform their respective obligations under the Trust.

15. Amendments. The agreement may be amended by the Company and the Trustees and such amendment shall become effective after 30 days written notice thereof shall have been given to all participating employees unless within said 30 days more than $\frac{1}{3}$ in number of all such employees shall object thereto in writing. No such amendment shall vest in the Company any right, title or interest in the assets of the Trust, divest any employee of any credit theretofore entered in his pension account or permit any part of the assets of the Trust to be used for, or diverted to, purposes other than for the exclusive benefit of the participating employees.

16. Other Provisions. Provision is also made in the agreement (i) against assignment by a participating employee of his interest in the Trust; (ii) for the arbitration of disputes between the Trustees and a participating employee; (iii) for leave of absence from service consented to by the Company (in which event employment is not interrupted by such absence); (iv) for presumption of death of a participating employee or for his abandonment of any interest in the Trust if his whereabouts cannot be located after reasonable effort and the lapse of seven years; (v) for the determination of an employee's age as the age attained by him on his last birthday plus the number of full months since elapsed, and (vi) for determining when an employee ceases to be employed.

The provisions of the agreement summarized above and other material provisions are fully set forth in the copy of the agreement enclosed herewith.

The Trustees named in the Trust Agreement have been selected by the Board of Directors of the Company. Mr. Ralph Norton, selected for a one year term, is now a District Manager of the Company and has been in its service for 19 years; Mr. Robert G. Knight, selected for a two year term, is now Comptroller and a Director of the Company and has been in its service for 15 years; Mr. Daniel McCaughna, selected for a three year term, is now a Store Manager of the Company and has been in its service for 16 years; Mr. Walter T. Lillie, selected for a four year term, is now Manager of Personnel of the Company and has been in its service for 11 years; and Mr. Harry Goldstine, selected for a five year term, is now a Vice-President and a Director of the Company and has been in its service for 27 years.

There are now approximately 12,000 employees of the Company, of whom approximately 3,500 (including eleven persons who are officers and directors, two of whom are named as Trustees, and three other persons who are named as Trustees) will be eligible to accept the Trust and participate in its benefits. Acceptance is purely voluntary on the part of each employee and there is no way of determining in advance how many of the eligible employees will accept the Trust. If all such eligible employees should accept the Trust it is estimated that the annual contribution by the Company and subsidiaries, based upon their consolidated net earnings for the fiscal year just ended and upon the employee contributions which would have been paid during such year had the agreement been in effect, would be approximately \$190,000.00. The minimum annual contribution by the Company and subsidiaries for any fiscal year, regardless of their consolidated net earnings but on the same basis of employee contributions, would be approximately \$42,500.00 if the Trust were accepted by all such eligible employees. The foregoing amounts do not take into account deductions on account of such contributions allowable in determining the Company's Federal Income and Excess Profits Taxes.

It is impossible to state which directors or officers of the Company will be eligible under the agreement to receive in their pension accounts the three highest amounts of credits on account of contributions from the Company pursuant to provisions of the Trust because such contributions will depend upon how long each director or officer continues in the service of the Company, his compensation until retirement, the consolidated net earnings of the Company and its consolidated subsidiaries for future years and other factors now unknown. However, on the basis of compensation paid or accrued for the fiscal year just ended to each director or officer who received one of the five highest amounts of remuneration during such fiscal year as shown above and on the basis of the consolidated net earnings for such fiscal year the contribution to the Trust by each such director and the Company's contribution on his account to his pension account and to the surplus of the Trust would be approximately as follows:

Name	His Contribution	Estimated Contribution By Company	
		To His Pension Account	To Trust Surplus
Charles R. Walgreen, Jr.	\$1,170	\$1,170	\$117
Justin W. Dart	1,170	1,170	117
Robert G. Knight	990	990	99
Roland G. Schmitt	990	990	99
James E. Ward	990	990	99

It is also impossible, for the same reasons, to state which directors or officers will receive the highest pensions or the amounts of such pensions. Assuming, however, that each such director remains with the Company until he reaches age 60 at the same compensation received by him during the fiscal year just ended, that the consolidated net earnings of the Company and subsidiaries for each future year remain the same as they were for such fiscal year, that the Trust accumulates no surplus beyond the excess contributions of the Company as shown in the above examples, that life annuity rates remain the same and that a life annuity contract is purchased for each director at age 60 with an amount equal to the accumulated credits in his pension account, the approximate amount of such annuity in the case of each such director and the approximate percentage which such amount bears to the compensation received by him on account of the fiscal year just ended are as follows:

Charles R. Walgreen, Jr.	\$4,290	20.4%
Justin W. Dart	\$4,512	21.5%
Robert G. Knight	\$2,084	11.6%
Roland G. Schmitt	\$2,089	11.6%
James E. Ward	\$2,342	13.0%

The Trustees may become participating employees under the Trust, but in their capacity as Trustees they receive no compensation for their services nor other benefits under the Trust. They are not eligible to become employees of the Trust. One of the Trustees, Mr. Knight, is among the nominees mentioned above as having received during the fiscal year just ended one of the five highest amounts of remuneration from the Company and the Company's contributions to the Trust on his account and his prospective pension based upon certain assumptions are shown above. Based on the assumptions made above in respect of Mr. Knight and the other nominees, the approximate amount of the annual annuity of each of the other Trustees, and the approximate percentage which such amount bears to the compensation of each such Trustee during the fiscal year just ended are as follows:

Harry Goldstine	\$2,087	12.6%
Ralph Norton	\$ 708	9.9%
Daniel McCaughna	\$ 479	12.3%
Walter T. Lillie	\$1,155	15.6%

How Proxies Will Vote

The shareholders will note that provision has been made in the enclosed form of proxy for each shareholder who signs and returns his proxy as requested to indicate whether the shareholder desires the proxies to vote "FOR" the approval of the Pension Trust or "AGAINST" such approval. Failure of the shareholder to so indicate whether he desires the proxies to vote "FOR" or to vote "AGAINST" approval of the Pension Trust will be construed as an authorization to the proxies to vote the proxy "FOR" such approval.

Expense of Soliciting Proxies

The cost of preparing, assembling and mailing this proxy statement and accompanying documents will be borne by the Company. Solicitation will be made by mail and also may in some cases be made by telephone or personal call by officers, directors or regular employees of the Company, who will not be specially compensated for such solicitation. It is estimated that such cost will approximate \$1,500.00.

By Order of the Board of Directors,
C. R. WALGREEN, JR.,
President.